

Audited Financial Statements

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TOWN OF KITTERY

Town of Kittery, Maine

June 30, 2007



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

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JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

September 21, 2007

Town Council
Town of Kittery
Kittery, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Kittery, Maine as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

RHR Smith & Company
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Kittery, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Town's financial statements.

1. Brief Discussion of the Basic Financial Statements

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting* which is similar to the accounting, used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into three kinds of activities:

- Governmental activities - Most of the Town's basic services are reported here, including police, fire, education, public works and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer department and school lunch program are reported here.
- Fiduciary activities – These are assets held by the Town in a trustee capacity, or as an agent for individuals, private organizations, other governments, and other funds.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town's Town Council establish many other funds to help them control and manage money for particular purposes (like the Fire Station Capital Reserve) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Department of Education).

The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Town as Trustee

The Town is the trustee, or *fiduciary*, for its students' activity funds. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 19. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

2. Condensed Financial Information

The Town As A Whole

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental funds is \$40.1 million. For the business-type activities total net assets is \$10.4 million.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$5.6 million at the end of this year for governmental activities.

Table 1
Town of Kittery, Maine
Net Assets
June 30,

	2007		2006	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current and other assets	\$ 15,245,662	\$ 1,725,109	\$ 16,705,756	\$ 1,846,551
Capital Assets	40,072,066	12,452,807	40,583,256	12,333,625
Other Assets	-	27,435	-	31,828
Total Assets	\$ 55,317,728	\$ 14,205,351	\$ 57,289,012	\$ 14,212,004
Liabilities:				
Current Liabilities	\$ 3,333,819	\$ 1,633,213	\$ 5,828,887	\$ 1,584,598
Long-term Debt Outstanding	11,902,699	2,152,564	10,675,848	2,405,401
Total Liabilities	\$ 15,236,518	\$ 3,785,777	\$ 16,504,735	\$ 3,989,999
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 27,673,412	\$ 8,681,240	\$ 29,481,420	\$ 8,498,932
Restricted for:				
Capital projects	4,251,722	-	5,223,585	-
Special revenues	819,620	-	1,449,368	-
Permanent funds	1,119,272	-	1,051,461	-
Education	532,280	-	894,558	-
General fund	59,379	-	12,482	-
Unrestricted Net Assets	5,625,525	1,738,334	2,671,403	1,723,073
Total Net Assets	\$ 40,081,210	\$ 10,419,574	\$ 40,784,277	\$ 10,222,005

Revenues and Expenses

Revenues for the Town's governmental activities increased by 2.2%, while total expenses increased by 14.3%. For the business-type activities the decrease in expenses was due to GASB #34 additions and deletions to fixed assets.

Table 2
Town of Kittery, Maine
Change in Net Assets
For the Year Ended June 30,

	2007		2006	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
Taxes:				
Property	\$ 17,459,622	\$ -	\$ 16,803,903	\$ -
Excise	1,454,619	-	1,501,895	-
Intergovernmental	2,185,222	110,832	2,679,750	142,241
State of Maine on behalf payments	1,222,245	-	1,222,245	-
Charges for services	1,005,548	1,792,623	899,264	1,661,803
Miscellaneous	2,003,814	27,936	1,677,008	221,399
Total Revenue	<u>25,331,070</u>	<u>1,931,391</u>	<u>24,784,065</u>	<u>2,025,443</u>
Expenses				
Current:				
General government	1,750,281	-	1,603,469	-
Public safety	2,990,939	-	2,977,094	-
Public works	1,470,648	-	939,266	-
Health and welfare	1,195,549	-	1,072,615	-
Social Services	644,060	-	480,944	-
Recreation and culture	60,419	-	59,147	-
Education	13,530,818	-	12,338,484	-
County tax	690,605	-	678,581	-
Designated accounts	401,283	-	614,484	-
Capital outlay	1,879,821	-	625,534	-
Overlay	83,742	-	-	-
Unallocated depreciation expense	42,953	-	70,926	-
Interest expense	60,774	-	85,617	-
State of Maine on behalf payments	1,222,245	-	1,222,245	-
Enterprise fund	-	1,743,822	-	2,192,345
Total Expenses	<u>26,024,137</u>	<u>1,743,822</u>	<u>22,768,406</u>	<u>2,192,345</u>
Total transfers	(10,000)	10,000	1,092,900	(1,092,900)
Change in Net Assets	(703,067)	197,569	3,108,559	(1,259,802)
Net Assets - July 1	<u>40,784,277</u>	<u>10,222,005</u>	<u>37,675,718</u>	<u>11,481,807</u>
Net Assets - June 30	<u>\$ 40,081,210</u>	<u>\$ 10,419,574</u>	<u>\$ 40,784,277</u>	<u>\$ 10,222,005</u>

The cost of all governmental activities this year was \$26.0 million. However, as shown in the Statement of Activities on pages 10 and 11, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$22.7 million because some of the cost was paid by those who directly benefited from the programs (\$1,005,548) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,269,637).

3. Analysis of Balances and Transactions of Individual Funds

Table 3
Town of Kittery, Maine
Net Cost of Services
For the year ended June 30, 2007

	<u>Total Cost of Services</u>	<u>Total Revenue</u>	<u>Net Cost of Services</u>
Governmental activities:			
General government	\$ 1,750,281	\$ 343,835	\$ 1,406,446
Public safety	2,990,939	60,000	2,930,939
Public works	1,470,648	-	1,470,648
Recreation and culture	1,195,549	434,377	761,172
Education	13,530,818	1,019,928	12,510,890
All other departments	<u>5,085,902</u>	<u>1,417,045</u>	<u>3,668,857</u>
Total governmental	<u>26,024,137</u>	<u>3,275,185</u>	<u>22,748,952</u>
Business-type activities:			
Sewer department	1,280,386	1,501,407	(221,021)
School lunch program	<u>463,436</u>	<u>402,048</u>	<u>61,388</u>
Total business-type	<u>1,743,822</u>	<u>1,903,455</u>	<u>(159,633)</u>
Total government and business	<u><u>\$ 27,767,959</u></u>	<u><u>\$ 5,178,640</u></u>	<u><u>\$ 22,589,319</u></u>

4. Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2007 the gross book value of capital assets recorded by the Town increased by \$891,773.

Table 4
Town of Kittery, Maine
Capital Assets June 30,
(Net of Depreciation)

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 11,708,758	\$ 11,372,269
Buildings and improvements	28,054,053	27,663,833
Furniture and Fixtures	-	20,493
Machinery and equipment	1,349,308	1,276,555
Vehicles	1,754,110	1,786,914
Construction in progress	-	1,600,000
Infrastructure	<u>9,658,644</u>	<u>9,196,817</u>
Total	<u>\$ 52,524,873</u>	<u>\$ 52,916,881</u>

Debt

At June 30, 2007, the Town had \$14.24 million in bonds outstanding versus \$13.26 million last year, an increase of 7.3%, as shown in Note 7 of the financial statements.

5. Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Dept. at, 200 Rogers Road Ext, P.O. Box 808, Kittery, Maine 03904-0808

TOWN OF KITTERY, MAINE

STATEMENT A

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 720,529	\$ -	\$ 720,529
Investments	12,292,146	778,945	13,071,091
Accounts receivable (net allowance for uncollectibles)			
Taxes	682,312	-	682,312
Due from other governments	157,282	-	157,282
Other	129,768	303,203	432,971
Inventory	-	23,329	23,329
Due from other funds	1,263,625	619,632	1,883,257
Total current assets	15,245,662	1,725,109	16,970,771
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	10,950,906	275,200	11,226,106
Buildings and vehicles net of accumulated depreciation	29,121,160	12,177,607	41,298,767
Total noncurrent assets	40,072,066	12,452,807	52,524,873
Other assets:			
Bond issuance costs (net of amortization)	-	27,435	27,435
TOTAL ASSETS	\$ 55,317,728	\$ 14,205,351	\$ 69,523,079
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 218,250	\$ 35,920	\$ 254,170
Accrued expenses	766,305	21,429	787,734
Due to other funds	619,632	1,263,625	1,883,257
Deferred revenue	55,629	51,260	106,889
Other liabilities	37,615	-	37,615
Current portion of long-term obligations	1,636,388	260,979	1,897,367
Total current liabilities	3,333,819	1,633,213	4,967,032
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	10,474,220	2,024,947	12,499,167
Capital lease payable	288,046	-	288,046
Accrued compensated absences	1,140,433	127,617	1,268,050
Total noncurrent liabilities	11,902,699	2,152,564	14,055,263
TOTAL LIABILITIES	15,236,518	3,785,777	19,022,295
NET ASSETS			
Invested in capital assets, net of related debt	27,673,412	8,681,240	36,354,652
Restricted for:			
Capital Projects	4,251,722	-	4,251,722
Special Revenues	819,620	-	819,620
Permanent Funds	1,119,272	-	1,119,272
Education	532,280	-	532,280
General Fund	59,379	-	59,379
Unrestricted	5,625,525	1,738,334	7,363,859
TOTAL NET ASSETS	40,081,210	10,419,574	50,500,784
TOTAL LIABILITIES AND NET ASSETS	\$ 55,317,728	\$ 14,205,351	\$ 69,523,079

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KITTEERY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Business- type Activities
			Grants & Contributions	Capital Grants & Contributions		
Governmental activities						
Current:						
General government	\$ 1,750,281	\$ 316,371	\$ 27,464	\$ -	\$ (1,406,446)	\$ (1,406,446)
Public safety	2,990,939	60,000	-	-	(2,930,939)	(2,930,939)
Public works	1,470,648	-	-	-	(1,470,648)	(1,470,648)
Recreation and culture	1,195,549	434,377	-	-	(761,172)	(761,172)
Health and sanitation	644,060	194,800	-	-	(449,260)	(449,260)
Social services	60,419	-	-	-	(60,419)	(60,419)
Education	13,530,818	-	1,019,928	-	(12,510,890)	(12,510,890)
County tax	690,605	-	-	-	(690,605)	(690,605)
State of Maine on behalf payments	1,222,245	-	1,222,245	-	-	-
Capital outlay	1,879,821	-	-	-	(1,879,821)	(1,879,821)
Unallocated depreciation expense	42,953	-	-	-	(42,953)	(42,953)
Designated accounts	401,283	-	-	-	(401,283)	(401,283)
Overlay	83,742	-	-	-	(83,742)	(83,742)
Interest expense	60,774	-	-	-	(60,774)	(60,774)
Total governmental activities	26,024,137	1,005,548	2,269,637	-	(22,748,952)	(22,748,952)
Business-type activities:						
Sewer department	1,280,386	1,501,407	-	-	-	221,021
School lunch program	463,436	291,216	110,832	-	-	(61,388)
Total business-type activities	1,743,822	1,792,623	110,832	-	-	159,633
Total government and business	27,767,959	2,798,171	2,380,469	-	(22,748,952)	(22,589,319)

STATEMENT B (CONTINUED)
TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities	Business- type Activities	Total
Changes in net assets:			
Net (expense) revenue	<u>(22,748,952)</u>	<u>159,633</u>	<u>(22,589,319)</u>
General revenue:			
Taxes			
Property taxes, levied for general purposes	17,459,622	-	17,459,622
Excise taxes, levied for general purposes	1,454,619	-	1,454,619
Grants and contributions not restricted to specific programs	1,137,830	-	1,137,830
Investment income	293,695	27,825	321,520
Miscellaneous	1,710,119	111	1,710,230
Transfers	(10,000)	10,000	-
Total revenue and transfers	<u>22,045,885</u>	<u>37,936</u>	<u>22,083,821</u>
Change in net assets	(703,067)	197,569	(505,498)
NET ASSETS - JULY 1, 2006	<u>40,784,277</u>	<u>10,222,005</u>	<u>51,006,282</u>
NET ASSETS - JUNE 30, 2007	<u><u>\$ 40,081,210</u></u>	<u><u>\$ 10,419,574</u></u>	<u><u>\$ 50,500,784</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTEERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Fire Station Capital	Sewer Capital Reserve	School Construction	Nonmajor Funds	Totals Governmental Funds
ASSETS						
Cash	\$ 464,161	\$ -	\$ -	\$ 68,344	\$ 188,024	\$ 720,529
Investments	8,901,397	80,130	-	-	3,310,619	12,292,146
Receivables (net of allowance for uncollectibles)						
Taxes/liens	682,312	-	-	-	-	682,312
Due from other governments	58,755	-	-	-	98,527	157,282
Other	55,545	-	-	3,209	71,014	129,768
Tax acquired property	-	-	-	-	-	-
Due from other funds	212,505	-	1,154,000	532,031	819,705	2,718,241
TOTAL ASSETS	\$ 10,374,675	\$ 80,130	\$ 1,154,000	\$ 603,584	\$ 4,487,889	\$ 16,700,278
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 186,141	-	\$ -	\$ 12,800	\$ 19,309	\$ 218,250
Accrued payroll	759,453	-	-	-	-	759,453
Payroll related liabilities	6,852	-	-	-	-	6,852
Due to other funds	1,971,368	-	-	-	102,880	2,074,248
Other deferred revenue	55,629	-	-	-	-	55,629
Deferred tax revenues	514,241	-	-	-	-	514,241
Other liabilities	37,615	-	-	-	-	37,615
TOTAL LIABILITIES	3,531,299	-	-	12,800	122,189	3,666,288
Fund Equity						
Unreserved, reported in:						
General Fund:						
Designated	591,659	-	-	-	-	591,659
Undesignated	6,251,717	-	-	-	-	6,251,717
Special Revenue Funds	-	-	-	-	819,620	819,620
Capital Projects Funds	-	80,130	1,154,000	590,784	2,426,808	4,251,722
Permanent Funds	-	-	-	-	1,119,272	1,119,272
TOTAL FUND EQUITY	6,843,376	80,130	1,154,000	590,784	4,365,700	13,033,990
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,374,675	\$ 80,130	\$ 1,154,000	\$ 603,584	\$ 4,487,889	\$ 16,700,278

STATEMENT C (CONTINUED)
TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2007

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 13,033,990
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	40,072,066
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	514,241
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(11,951,330)
Capital lease payable	(447,324)
Accrued compensated absences	<u>(1,140,433)</u>
Net assets of governmental activities	<u>\$ 40,081,210</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT D

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Fire Station Capital	Sewer Capital Reserve	School Construction	Nonmajor Funds	Totals Governmental Funds
REVENUES						
General tax revenue	\$ 18,766,298	\$ -	\$ -	\$ -	\$ -	\$ 18,766,298
Intergovernmental revenue	2,185,222	-	-	-	-	2,185,222
Charges for services	1,005,548	-	-	-	-	1,005,548
Investment income	258,384	35,311	-	-	-	293,695
State of Maine on-behalf payments	1,222,245	-	-	-	-	1,222,245
Other revenue	363,237	-	-	14,670	1,332,212	1,710,119
TOTAL REVENUES	23,800,934	35,311	-	14,670	1,332,212	25,183,127
EXPENDITURES						
Current:						
General government	1,536,960	-	-	-	66,915	1,603,875
Public safety	2,778,382	-	-	-	121	2,778,503
Public works	934,160	-	-	-	296,019	1,230,179
Recreation and culture	1,195,549	-	-	-	-	1,195,549
Health and sanitation	644,060	-	-	-	-	644,060
Social services	60,419	-	-	-	-	60,419
Education	13,504,201	-	-	-	643,569	14,147,770
County tax	690,605	-	-	-	-	690,605
State of Maine on behalf payments	1,222,245	-	-	-	-	1,222,245
Debt service	400,774	-	-	-	-	400,774
Capital outlay	-	1,432,179	-	284,968	609,300	2,326,447
Overlay	83,742	-	-	-	-	83,742
Designated	401,283	-	-	-	-	401,283
TOTAL EXPENDITURES	23,452,380	1,432,179	-	284,968	1,615,924	26,785,451
EXCESS REVENUES OVER (UNDER) EXPENDITURES	348,554	(1,396,868)	-	(270,298)	(283,712)	(1,602,324)
OTHER FINANCING SOURCES						
Proceeds from debt	-	-	-	-	-	-
Operating transfers in	337,535	-	-	200,000	1,054,384	1,591,919
Operating transfers (out)	(764,384)	-	-	-	(837,535)	(1,601,919)
TOTAL OTHER FINANCING SOURCES (USES)	(426,849)	-	-	200,000	216,849	(10,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(78,295)	(1,396,868)	-	(70,298)	(66,863)	(1,612,324)
FUND BALANCES - JULY 1	6,921,671	1,476,998	1,154,000	661,082	4,432,563	14,646,314
FUND BALANCES - JUNE 30	\$ 6,843,376	\$ 80,130	\$ 1,154,000	\$ 590,784	\$ 4,365,700	\$ 13,033,990

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT E

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (Statement D)	<u>\$ (1,612,324)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	601,541
Depreciation expense	<u>(1,113,283)</u>
	<u>(511,742)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>148,495</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>(154,915)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>1,525,344</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(97,925)</u>
Change in net assets of governmental activities (Statement B)	<u>\$ (703,067)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KITTERY, MAINE

STATEMENT F

BALANCE SHEET – ENTERPRISE FUNDS
JUNE 30, 2007

	Sewer Department	School Lunch Program	Totals
ASSETS			
Current assets:			
Cash/investments	\$ 771,781	\$ 7,164	\$ 778,945
Due from other governments	-	-	-
Accounts receivable	296,737	6,466	303,203
Inventory	-	23,329	23,329
Prepaid expenses	-	-	-
Due from other funds	619,632	-	619,632
Total current assets	<u>1,688,150</u>	<u>36,959</u>	<u>1,725,109</u>
Noncurrent assets:			
Land and buildings	275,200	-	275,200
Vehicles and equipment	272,572	98,808	371,380
Plant / infrastructure	14,884,282	-	14,884,282
Total capital assets	15,432,054	98,808	15,530,862
Less: accumulated depreciation	(2,995,965)	(82,090)	(3,078,055)
Net capital assets	<u>12,436,089</u>	<u>16,718</u>	<u>12,452,807</u>
Other assets:			
Bond issuance costs(net of amortization)	27,435	-	27,435
TOTAL ASSETS	<u>\$ 14,151,674</u>	<u>\$ 53,677</u>	<u>\$ 14,205,351</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 35,060	\$ 860	\$ 35,920
Accrued payroll	-	21,429	21,429
Deferred revenue	51,260	-	51,260
Due to other funds	1,212,628	50,997	1,263,625
Current portion of long-term debt	260,979	-	260,979
Total current liabilities	<u>1,559,927</u>	<u>73,286</u>	<u>1,633,213</u>
Noncurrent liabilities			
Bonds payable	2,024,947	-	2,024,947
Accrued compensated absences	127,617	-	127,617
Total noncurrent liabilities	<u>2,152,564</u>	<u>-</u>	<u>2,152,564</u>
TOTAL LIABILITIES	<u>3,712,491</u>	<u>73,286</u>	<u>3,785,777</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,664,522	16,718	8,681,240
Unrestricted	1,774,661	(36,327)	1,738,334
TOTAL NET ASSETS	<u>10,439,183</u>	<u>(19,609)</u>	<u>10,419,574</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,151,674</u>	<u>\$ 53,677</u>	<u>\$ 14,205,351</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT G

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Sewer Department	School Lunch Program	Totals
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 110,832	\$ 110,832
Charges for services	1,501,407	291,216	1,792,623
Other	-	111	111
TOTAL OPERATING REVENUES	<u>1,501,407</u>	<u>402,159</u>	<u>1,903,566</u>
OPERATING EXPENSES			
Payroll and taxes	154,607	227,236	381,843
Benefits	95,191	-	95,191
Treatment plant	497,453	-	497,453
Pumping station	218,373	-	218,373
Food expense	-	186,424	186,424
Supplies	-	6,987	6,987
Line expense	40,528	-	40,528
Depreciation	186,097	27,001	213,098
Other	35,002	15,788	50,790
TOTAL OPERATING EXPENSES	<u>1,227,251</u>	<u>463,436</u>	<u>1,690,687</u>
OPERATING INCOME (LOSS)	<u>274,156</u>	<u>(61,277)</u>	<u>212,879</u>
NON-OPERATING INCOME (EXPENSE)			
Transfers in	-	10,000	10,000
Transfers out	-	-	-
Interest income	27,825	-	27,825
Interest expense	(53,135)	-	(53,135)
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(25,310)</u>	<u>10,000</u>	<u>(15,310)</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON-OPERATING INCOME (EXPENSE)	248,846	(51,277)	197,569
NET ASSETS - JULY 1	<u>10,190,337</u>	<u>31,668</u>	<u>10,222,005</u>
NET ASSETS - JUNE 30	<u>\$ 10,439,183</u>	<u>\$ (19,609)</u>	<u>\$ 10,419,574</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT H

TOWN OF KITTERY, MAINE

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Sewer Department	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,696,139	\$ 303,241	\$ 1,999,380
Intergovernmental receipts	-	110,943	110,943
Other receipts	-	-	-
Internal activity - receipts (payments) from/to other funds	-	-	-
Payments to employees	(249,798)	(227,236)	(477,034)
Payments to suppliers	(750,498)	(202,155)	(952,653)
Net cash provide by operating activities	<u>695,843</u>	<u>(15,207)</u>	<u>680,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Invested cash	(30,065)	-	(30,065)
Interest income	27,825	-	27,825
Payments for purchases of fixed assets	(289,680)	-	(289,680)
Net cash used by financing activities	<u>(291,920)</u>	<u>-</u>	<u>(291,920)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payments on bond payable	(53,135)	-	(53,135)
Principal payments on bond payable	(260,266)	-	(260,266)
Operating transfers	-	10,000	10,000
Net cash used by financing activities	<u>(313,401)</u>	<u>10,000</u>	<u>(303,401)</u>
NET INCREASE (DECREASE) IN CASH	<u>90,522</u>	<u>(5,207)</u>	<u>85,315</u>
CASH - JULY 1	<u>681,259</u>	<u>12,371</u>	<u>693,630</u>
CASH - JUNE 30	<u>\$ 771,781</u>	<u>\$ 7,164</u>	<u>\$ 778,945</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss) and other financing	\$ 274,156	\$ (61,277)	\$ 212,879
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	186,097	27,001	213,098
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	185,804	11,308	197,112
(Increase) decrease in prepaid expenses	8,928	-	8,928
(Increase) decrease in inventory	-	717	717
(Decrease) increase in accounts payable	741	860	1,601
(Decrease) increase in accrued payroll	(18,511)	(776)	(19,287)
(Decrease) increase in due to other funds	58,628	6,960	65,588
NET CASH PROVIDED (USED) BY ACTIVITIES	<u>\$ 695,843</u>	<u>\$ (15,207)</u>	<u>\$ 680,636</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT I

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Current assets:	
Cash	\$ 38,224
TOTAL ASSETS	<u>\$ 38,224</u>
LIABILITIES	
Deposits held for others	\$ -
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Held in trust for special purposes	38,224
TOTAL NET ASSETS	<u>38,224</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,224</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Kittery conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant of such policies.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June of 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

Principles Determining Scope of Reporting Entity

The financial statements of the Town consist only of the funds of the Town of Kittery, Maine.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the governmental-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's sewer department and school lunch program are categorized as business-type activities. All other activities of the town are categorized as governmental.

In the government-wide Statement of Net Assets, both the governmental activities and business-type columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus reflects the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.
- d. The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is description of the proprietary funds of the Town:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the trust funds consider all purchased government securities to be held on to for three months or less when purchased, to be cash equivalents.

Investments

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost.

Revenue Recognition – Property Taxes – Modified Accrual Basis

The Town's property tax for the current year was levied on October 23, 2006, on the assessed value listed as of April 1, 2006, for all taxable real and personal property located in the Town. Taxes were due in two installments on December 10, 2006, and June 10, 2007. Interest on unpaid taxes commenced on December 11, 2006, and June 11, 2007, at 11% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$320,521 for the year ended June 30, 2007.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Kittery utilize encumbrance accounting for its general fund. Since there were no outstanding encumbrances at the Town for the year ended June 30, 2007, no reservation of fund balance was recorded.

Budget

The Town of Kittery's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepared a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Kittery was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.
4. The Town does not adopt budgets for Special Revenue Funds.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 - CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

In 2004, the Town undertook a program to record its investment property, plant and equipment. An inventory of all existing assets with a useful life of more than five years and a value of greater than \$5,000 was taken. The assets were valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets were valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

Buildings	20-50 years
Infrastructure	50-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 years

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets at June 30, 2007:

	Balance, 7/1/06	Additions	Disposals	Balance, 6/30/07
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	1,600,000	-	(1,600,000)	-
Art works & historical treasures	-	-	-	-
	<u>12,550,906</u>	<u>-</u>	<u>(1,600,000)</u>	<u>10,950,906</u>
Depreciated assets:				
Land Improvements	400,000	283,371	-	683,371
Buildings	26,383,886	1,594,581	(243,633)	27,734,834
Building improvements	1,450,378	-	(8,650)	1,441,728
Furniture & fixtures	105,226	-	(105,226)	-
Machinery & equipment	2,653,916	156,805	-	2,810,721
Vehicles	2,708,812	245,009	-	2,953,821
Infrastructure	9,381,629	279,836	-	9,661,465
	<u>43,083,847</u>	<u>2,559,602</u>	<u>(357,509)</u>	<u>45,285,940</u>
Less: accumulated depreciation	<u>(15,051,497)</u>	<u>(1,113,283)</u>	<u>-</u>	<u>(16,164,780)</u>
	<u>28,032,350</u>	<u>1,446,319</u>	<u>(357,509)</u>	<u>29,121,160</u>
Net capital assets	<u>\$ 40,583,256</u>	<u>\$ 1,446,319</u>	<u>\$ (1,957,509)</u>	<u>\$ 40,072,066</u>

Admin	\$ 113,764
Public Works	207,828
Public Safety	179,794
Education	568,392
Unallocated	43,505
Total depreciation expense	<u>\$ 1,113,283</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/06	Additions	Disposals	Balance, 6/30/07
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 21,363	\$ 253,837	\$ -	\$ 275,200
	<u>21,363</u>	<u>253,837</u>	<u>-</u>	<u>275,200</u>
Depreciated assets:				
Buildings	14,890,259	247,860	(253,837)	14,884,282
Vehicles	82,397	-	-	82,397
Machinery & equipment	246,611	41,820	-	288,431
	<u>15,219,267</u>	<u>289,680</u>	<u>(253,837)</u>	<u>15,255,110</u>
Less: accumulated depreciation	(2,907,005)	(170,498)	-	(3,077,503)
	<u>12,312,262</u>	<u>119,182</u>	<u>(253,837)</u>	<u>12,177,607</u>
Net capital assets	<u>\$ 12,333,625</u>	<u>\$ 373,019</u>	<u>\$ (253,837)</u>	<u>\$ 12,452,807</u>

NOTE 3 - CASH AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2007, the Town's deposits amounting to \$1,160,208 were comprised of \$214,755 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$945,453 that was in excess of federal depository insurance, but collateralized with securities held by the financial institutions in the Town's name.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 870,644
Savings	125,987
Money Market	161,775
Certificate of Deposit	1,802
	<u>\$ 1,160,208</u>

At June 30, 2007, the Town's investments were comprised of investment management funds, equities, fixed income, cash equivalents, and a repurchase agreement. The investment accounts amounting to \$12,987,667 were collateralized with securities held by the financial institutions in the Town's name and are therefore not susceptible to custodial credit risk.

<u>Investment Type</u>	<u>Market Value</u>
Investment Management	\$ 4,289,801
Equities	310,073
Fixed Income	357,492
Cash Equivalents	23,125
Repurchase Agreement	8,007,176
	<u>\$ 12,987,667</u>

NOTE 4 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for uncollectible accounts was estimated to be \$40,000 at June 30, 2007.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2007 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 212,505	\$ 1,971,368
Special revenue fund	692,380	57,154
Capital project fund	1,813,356	45,726
Enterprise fund	619,632	1,263,625
	<u>\$ 3,337,873</u>	<u>\$ 3,337,873</u>

NOTE 6 - DEFERRED REVENUES

Deferred Revenues at June 30, 2007 consisted of \$55,629 of Medicaid reimbursements for the Kittery School.

NOTE 7 –LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2007:

	Balance, 7/1/06	Additions	Deletions	Balance, 6/30/07	Due Within One Year
Governmental Activities					
Bonds payable	\$ 10,718,440	\$ 2,660,000	\$ (1,427,110)	11,951,330	\$ 1,477,110
Capital leases payable	383,396	154,915	(90,987)	447,324	159,278
Accrued compensated absences	1,042,508	97,925	-	1,140,433	-
Total Governmental Activities	<u>\$ 12,144,344</u>	<u>\$ 2,912,840</u>	<u>\$ (1,518,097)</u>	<u>\$ 13,539,087</u>	<u>\$ 1,636,388</u>
Business-type Activities					
Bonds payable	\$ 2,546,192	\$ -	\$ (260,266)	\$ 2,285,926	\$ 260,979
Accrued compensated absences	119,475	8,142	-	127,617	-
	<u>\$ 2,665,667</u>	<u>\$ 8,142</u>	<u>\$ (260,266)</u>	<u>\$ 2,413,543</u>	<u>\$ 260,979</u>

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

<u>Bonds</u>	<u>Governmental</u>	<u>Business - type</u>
\$6,950,000, 1990 General Obligation Bond due in annual installments and semiannual interest installments through November 2010. Interest is charged at a rate from 7.00% to 7.74% per annum.	\$ 1,380,000	\$ -
\$6,900,000, 1995 General Obligation Bond due in annual installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.125% to 5.75% per annum.	3,105,000	-
\$2,000,000, 1997 General Obligation Bond due in annual installments and semiannual interest installments through January 2012. Interest is charged at a rate from 4.8% to 6.5% per annum.	650,000	-
\$2,660,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2026. Interest is charged at a rate from 4.25% to 4.5% per annum. Annual Installments are \$110,000 to 155,000.	2,660,000	-
\$1,675,000, 1988 General Obligation Bond due in annual installments and semiannual interest installments through October 2008. Interest is charged at a rate from 5.7% to 7.7% per annum. Annual Installments are \$80,000 to \$85,000.	160,000	-
\$3,300,000, 1989 General Obligation Bond due in annual installments and semiannual interest installments through October 2009. Interest is charged at a rate from 7.25% to 7.3% per annum. Annual Installments are \$165,000.	495,000	-
\$4,000,000, 1992 General Obligation Bond due in annual installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual Installments are \$200,000.	-	1,200,000
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual Installments vary.	-	1,085,926
\$4,220,000, 2002 General Obligation Bond due in annual installments and semiannual interest installments through December 2018. Interest is charged at a rate from 3.25% to 4.75% per annum.	3,360,000	-
\$336,500, 2005 Revolving Renovation due in annual installments through November 2009 with principal forgiveness of \$100,950. No interest is charged.	141,330	-
	<u>\$ 11,951,330</u>	<u>\$ 2,285,926</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

Governmental Activities

	Principal	Interest	Total Debt Service
2008	\$ 1,477,110	\$ 577,592	\$ 2,054,702
2009	1,477,110	495,586	1,972,696
2010	1,397,110	416,036	1,813,146
2011	1,185,000	345,112	1,530,112
2012	840,000	291,933	1,131,933
2013-2017	3,175,000	910,628	4,085,628
2018-2022	1,635,000	370,913	2,005,913
2023-2028	765,000	67,238	832,238
	<u>\$ 11,951,330</u>	<u>\$ 3,475,038</u>	<u>\$ 14,594,130</u>

Business Type Activities

	Principal	Interest	Total Debt Service
2008	\$ 260,979	\$ 59,500	\$ 320,479
2009	261,723	51,678	313,401
2010	262,500	43,721	306,221
2011	263,310	35,810	299,120
2012	264,156	27,863	292,019
2013-2017	534,804	63,401	598,205
2018-2022	362,185	28,855	391,040
2023-2028	76,269	1,859	78,128
	<u>\$ 2,285,926</u>	<u>\$ 312,687</u>	<u>\$ 2,520,485</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 7 –LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

Capital Leases

	<u>Governmental</u>	<u>Business - type</u>
The Department Leases equipment under a non-cancelable lease agreement. The term of the lease is for a six year period expiring in August of 2009. Yearly payments are \$29,215.	\$ 81,851	\$ -
The Department Leases equipment under a non-cancelable lease agreement. The term of the lease is for a ten year period expiring in July of 2014. Annual payments are \$22,865.	150,138	-
The Town Leases copiers under a non-cancelable lease agreement. The term of the lease is for a six year period expiring in August of 2009. Yearly payments are \$9,099.05.	25,371	-
\$129,988, 2007 Capital Lease payable to AFS Education Finance, for computer equipment due in annual installments through June 2009. Interest is charged at a rate of 6.77% per annum.	121,691	-
\$58,645, 2005 Capital Lease payable to GE Capital for computer equipment due in annual installments through July 2007. Interest is charged at a rate of 5.35% per annum.	28,995	-
\$180,000, 2004 Capital Lease payable for computer equipment due in annual installments through June 2008. Interest is charged at a rate of 5.35% per annum.	39,278	-
	<u>\$ 447,324</u>	<u>\$ -</u>

Future minimum payments, by year and in the aggregate, under these leases are as follows:

2008	\$ 182,316
2009	145,072
2010	145,072
2011	22,865
2012	22,865
2013-2017	68,595
Total minimum lease payments	586,785
Less: Amount representing interest	(139,461)
Present value of future minimum lease payments	<u>\$ 447,324</u>

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 –LONG TERM DEBT (CONTINUED)

All bonds payable and capital leases payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 8 – RESERVED FUND BALANCE

The following net assets have been reserved at June 30, 2007 for the following purposes:

Reserved for education	\$ 532,280
Reserved for general fund designated balances	59,379
Reserved for special revenue funds	819,620
Reserved for capital project funds	4,251,722
Reserved for permanent funds	1,119,272
Total	<u>\$ 6,782,273</u>

NOTE 9– GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2007, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year's budget:

Block Party	\$ 800
Foreside Project Funds	2,928
Volunteer Recognition	457
Shelfish Commission	1,325
Conservation Commission	6,038
Pier Condition Report	9,401
Fort Foster Road	5,423
Public Works - Drainage Improvements	7,713
Public Works - Storm Water Phase Two	7,558
Solid Waste - Improvements to Buildings and Grounds	6,968
Solid Waste - Universal Waste Building	10,768
Education	532,280
Totals	<u>\$ 591,659</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 10 – RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association – Property and Casualty Pool ("Pool"). The District pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, and is based on replacement cost. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

NOTE 11 - CONTINGENCIES

The Town is responsible for its proportionate share of County debt. As of June 30, 2007 the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 22,429,400	5.24%	\$ 1,175,301
			<u>\$ 1,175,301</u>

NOTE 12 – DEFINED BENEFITS PENSION PLAN

MAINE STATE RETIREMENT SYSTEM

The Town participates in the Maine State Retirement System, a cost sharing multi-employer defined benefit pension plan which covers employees who work at least 40 hours per week. The system requires that both employees and the Town contribute, and provides retirement, disability and death benefits. Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The Town's contributions to the plan for 2007, 2006, and 2005 were \$96,375, \$79,591, and \$74,158 respectively.

All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The system is an agent multiple-employer public retirement system. The school department's payroll for employees covered by this group was approximately \$6,382,480 for the year ended June 30, 2007. The State of Maine is required to contribute the employer contribution which amounts to 19.15% of compensation. Contributions paid by the State were approximately \$1,222,245 for the year ended June 30, 2007. There is no contribution required by the Town, except for federally funded teachers. For the year ended June 30, 2007, the Town contributed approximately \$59,164 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 14 – EXPENDITURES OVER APPROPRIATIONS

The Town had no appropriations that were exceeded by actual expenditures.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Schedule of Revenues Budget to Actual – General Fund

TOWN OF KITTERY, MAINE

SCHEDULE 1

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,921,671	\$ 6,921,671	\$ 6,921,671	\$ -
Resources (Inflows):				
General tax revenue	18,941,325	18,941,325	18,766,298	(175,027)
Intergovernmental revenue	2,210,571	2,210,571	2,185,222	(25,349)
Charges for services	880,100	880,100	1,005,548	125,448
Investment income	190,000	190,000	258,384	68,384
Other revenue	60,040	60,040	363,237	303,197
Transfers from other funds	193,000	193,000	337,535	144,535
Amounts Available for Appropriation	29,396,707	29,396,707	29,837,895	441,188
Charges to Appropriation (Outflows):				
Current:				
General government	1,555,954	1,555,954	1,536,960	18,994
Public safety	2,935,991	2,935,991	2,778,382	157,609
Public works	1,150,668	1,150,668	934,160	216,508
Recreation and culture	1,197,901	1,197,901	1,195,549	2,352
Health and sanitation	697,024	697,024	644,060	52,964
Social services	61,361	61,361	60,419	942
Education	13,467,109	14,036,481	13,504,201	532,280
County tax	690,605	690,605	690,605	-
Debt service	400,774	400,774	400,774	-
Overlay	320,521	320,521	83,742	236,779
Designated	127,310	456,561	401,283	55,278
Transfers to other funds	269,818	650,758	764,384	(113,626)
Total Charges to Appropriations	22,875,036	24,154,599	22,994,519	1,160,080
Budgetary Fund Balance, June 30	\$ 6,521,671	\$ 5,242,108	\$ 6,843,376	\$ 1,601,268
Utilization of undesignated fund balance	\$ 400,000	\$ 213,674	\$ -	\$ (213,674)
Utilization of designated fund balance	-	496,517	-	(496,517)
	\$ 400,000	\$ 710,191	\$ -	\$ (710,191)

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF REVENUES BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General tax revenues				
Property taxes	\$ 17,521,325	\$ 17,521,325	\$ 17,311,679	\$ (209,646)
Vehicle excise taxes	1,400,000	1,400,000	1,424,972	24,972
Boat excise taxes	20,000	20,000	29,647	9,647
Intergovernmental revenues				
Education subsidy	902,859	902,859	801,563	(101,296)
State revenue sharing	685,000	685,000	698,646	13,646
Homestead exemption	133,786	133,786	133,846	60
Other education revenue	190,000	190,000	218,365	28,365
Other grants	76,476	76,476	87,444	10,968
GMH Housing	207,450	207,450	217,894	10,444
General assistance	15,000	15,000	27,464	12,464
Charges for services				
Recreation fees	285,000	285,000	273,482	(11,518)
Code enforcement fees	175,000	175,000	252,952	77,952
Registration fees	28,000	28,000	27,868	(132)
Town clerk fees	19,500	19,500	16,010	(3,490)
Planning fees	7,000	7,000	6,920	(80)
Sign / ordinances	1,400	1,400	-	(1,400)
Solid waste / recycling	75,000	75,000	105,197	30,197
Solid waste / permits	80,000	80,000	89,603	9,603
Sewer fees	-	-	-	-
Fort Foster fees	100,000	100,000	126,486	26,486
Eliot dispatching services	60,000	60,000	60,000	-
Animal control	3,000	3,000	4,741	1,741
Mooring fees	46,200	46,200	34,409	(11,791)
Other	-	-	7,880	7,880
Investment income	190,000	190,000	258,384	68,384
Interest / fees on taxes	5,000	5,000	32,283	27,283
Other income	41,800	41,800	32,171	(9,629)
Other police income	11,000	11,000	19,735	8,735
School other	-	-	279,048	279,048
Other services	2,240	2,240	-	(2,240)
Transfers from other funds				
Permanent funds	25,000	25,000	25,000	-
Special revenue fund	168,000	168,000	312,535	144,535
Total revenues	\$ 22,475,036	\$ 22,475,036	\$ 22,916,224	\$ 441,188

See accompanying independent auditors' report.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Capital Projects Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Capital Project Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Balances Carried
General government						
Administration	\$ 873,998	\$ -	\$ 873,998	\$ 832,724	\$ 41,274	\$ -
Assessing	177,332	-	177,332	168,179	9,153	-
Code enforcement	121,465	-	121,465	115,955	5,510	-
Town planner	167,945	-	167,945	158,630	9,315	-
Insurance	171,872	-	171,872	172,529	(657)	-
Planning board	16,000	-	16,000	15,426	574	-
Elections	15,094	-	15,094	11,634	3,460	-
Council	12,073	-	12,073	10,153	1,920	-
Bond admin fees	-	-	-	51,450	(51,450)	-
Bank fees	175	-	175	280	(105)	-
	<u>1,555,954</u>	<u>-</u>	<u>1,555,954</u>	<u>1,536,960</u>	<u>18,994</u>	<u>-</u>
Public safety						
Police department	2,354,527	-	2,354,527	2,283,478	71,049	-
Fire department	303,719	-	303,719	220,555	83,164	-
Street lights	98,000	-	98,000	97,487	513	-
Hydrants	177,195	-	177,195	174,312	2,883	-
Civil emergency preparedness	2,550	-	2,550	2,550	-	-
	<u>2,935,991</u>	<u>-</u>	<u>2,935,991</u>	<u>2,778,382</u>	<u>157,609</u>	<u>-</u>
Public works:						
Highways	1,150,668	-	1,150,668	934,160	201,237	15,271
	<u>1,150,668</u>	<u>-</u>	<u>1,150,668</u>	<u>934,160</u>	<u>201,237</u>	<u>15,271</u>
Health and sanitation:						
Solid waste	697,024	-	697,024	644,060	35,228	17,736
	<u>697,024</u>	<u>-</u>	<u>697,024</u>	<u>644,060</u>	<u>35,228</u>	<u>17,736</u>
Social services						
General assistance	40,000	-	40,000	39,065	935	-
Community agencies	17,236	-	17,236	17,236	-	-
Public health services	4,125	-	4,125	4,118	7	-
	<u>61,361</u>	<u>-</u>	<u>61,361</u>	<u>60,419</u>	<u>942</u>	<u>-</u>

SCHEDULE A (CONTINUED)

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Carried
Recreation and culture:						
Parks	261,127	-	261,127	262,720	(1,593)	-
Recreation	458,439	-	458,439	449,551	8,888	-
Library	416,422	-	416,422	416,422	-	-
Port Authority	61,913	-	61,913	66,856	(4,943)	-
	1,197,901	-	1,197,901	1,195,549	2,352	-
Education	13,467,109	569,372	14,036,481	13,504,201	-	532,280
County tax	690,605	-	690,605	690,605	-	-
Debt service						
Principal	340,000	-	340,000	340,000	-	-
Interest	60,774	-	60,774	60,774	-	-
	400,774	-	400,774	400,774	-	-
Overlay	320,521	-	320,521	83,742	236,779	-
Designated						
Eastern Trail Management Dist	5,000	-	5,000	5,000	-	-
Annual block party	-	800	800	-	-	800
Volunteer recognition	-	1,199	1,199	742	-	457
Kittery foreside	-	3,748	3,748	320	500	2,928
General assistance software	-	9,055	9,055	9,055	-	-
Memorial field fencing	-	2,000	2,000	2,000	-	-
Memorial day activities	600	-	600	652	(52)	-
Pool filter house	-	-	-	705	(705)	-
Emergency ambulance service	75,840	-	75,840	75,840	-	-
Generator replacement	-	78,500	78,500	77,549	951	-

SCHEDULE A (CONTINUED)

TOWN OF KITTEERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Carried
Compensated absences	-	50,000	50,000	46,045	3,955	-
Seacoast shipyard association	1,500	-	1,500	1,500	-	-
Shellfish conservation commission	2,500	2,445	4,945	2,875	745	1,325
Conservation commission	870	5,385	6,255	217	-	6,038
HVAC upgrade article 8	-	-	-	427	(427)	-
Self insurance claims	-	2,583	2,583	2,583	-	-
Grant matching funds	-	100,000	100,000	24,120	75,880	-
Emergency fuel account	-	-	-	2,306	(2,306)	-
Emergency facility repair fund	-	13,336	13,336	13,336	-	-
Computerized website mapping	-	-	-	5,300	(5,300)	-
Public safety software	-	60,200	60,200	66,200	(6,000)	-
Lg format copier / scanner	-	-	-	21,000	(21,000)	-
Seapoint road causeway	-	-	-	2,508	(2,508)	-
Haley field project	-	-	-	14,827	(14,827)	-
Land use	5,000	-	5,000	5,000	-	-
Salary survey	15,000	-	15,000	15,000	-	-
Pier condition report	10,000	-	10,000	599	-	9,401
Fort foster road	10,000	-	10,000	4,577	-	5,423
Maine service center coalition	1,000	-	1,000	1,000	-	-
	<u>127,310</u>	<u>329,251</u>	<u>456,561</u>	<u>401,283</u>	<u>28,906</u>	<u>26,372</u>
Transfers						
Special revenues	104,471	-	104,471	51,595	52,876	-
Major capital projects	-	200,000	200,000	200,000	-	-
Non-major capital projects	155,347	180,940	336,287	502,789	(166,502)	-
School lunch	10,000	-	10,000	10,000	-	-
	<u>269,818</u>	<u>380,940</u>	<u>650,758</u>	<u>764,384</u>	<u>(113,626)</u>	<u>-</u>
Total Expenditures	<u>\$ 22,875,036</u>	<u>\$ 1,279,563</u>	<u>\$ 24,154,599</u>	<u>\$ 22,994,519</u>	<u>\$ 568,421</u>	<u>\$ 591,659</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE B

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 75,312	\$ -	\$ 112,712	\$ 188,024
Investments	29,864	2,345,209	935,546	3,310,619
Accounts receivable	98,527	-	71,014	169,541
Due from other funds	692,380	127,325	-	819,705
Total assets	<u>\$ 896,083</u>	<u>\$ 2,472,534</u>	<u>\$ 1,119,272</u>	<u>\$ 4,487,889</u>
LIABILITIES				
Accounts Payable	\$ 19,309	\$ -	\$ -	\$ 19,309
Due to other funds	57,154	45,726	-	102,880
Total liabilities	<u>76,463</u>	<u>45,726</u>	<u>-</u>	<u>122,189</u>
FUND EQUITY				
Fund balance:				
Unreserved:				
Designated for subsequent years'				
expenditures	819,620	2,426,808	1,119,272	4,365,700
Total fund equity	<u>819,620</u>	<u>2,426,808</u>	<u>1,119,272</u>	<u>4,365,700</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 896,083</u>	<u>\$ 2,472,534</u>	<u>\$ 1,119,272</u>	<u>\$ 4,487,889</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE C

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 711,283	\$ 255,118	\$ -	\$ 966,401
Charges for services	98,000	-	-	98,000
Investment income	18,431	107,591	141,789	267,811
TOTAL REVENUES	<u>827,714</u>	<u>362,709</u>	<u>141,789</u>	<u>1,332,212</u>
EXPENDITURES				
Administration	10,644	7,370	48,901	66,915
Public safety	-	44	77	121
Public works	-	296,019	-	296,019
Education	620,965	22,604	-	643,569
Capital outlay	65,142	544,158	-	609,300
TOTAL EXPENDITURES	<u>696,751</u>	<u>870,195</u>	<u>48,978</u>	<u>1,615,924</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>130,963</u>	<u>(507,486)</u>	<u>92,811</u>	<u>(283,712)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	51,595	1,002,789	-	1,054,384
Operating Transfers Out	(812,535)	-	(25,000)	(837,535)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(760,940)</u>	<u>1,002,789</u>	<u>(25,000)</u>	<u>216,849</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(629,977)	495,303	67,811	(66,863)
FUND BALANCE, JULY 1	<u>1,449,597</u>	<u>1,931,505</u>	<u>1,051,461</u>	<u>4,432,563</u>
FUND BALANCE, JUNE 30	<u>\$ 819,620</u>	<u>\$ 2,426,808</u>	<u>\$ 1,119,272</u>	<u>\$ 4,365,700</u>

See accompanying independent auditors' report.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Sewer Impact Fees	Sewer Bettement Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Vehicle Exhaust Grant	Route One Sewer Project
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	7,687	712	-	-	-	21,465
Accounts receivable (net of allowance)	-	61,539	-	-	-	-
Due from other funds	342,000	-	105,897	-	2,688	-
TOTAL ASSETS	<u>\$ 349,687</u>	<u>\$ 62,251</u>	<u>\$ 105,897</u>	<u>\$ -</u>	<u>\$ 2,688</u>	<u>\$ 21,465</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,186	\$ -	\$ -
Due to other funds	-	4,439	-	-	-	33,784
TOTAL LIABILITIES	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>1,186</u>	<u>-</u>	<u>33,784</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'						
expenditures	349,687	57,812	105,897	(1,186)	2,688	(12,319)
TOTAL FUND EQUITY	<u>349,687</u>	<u>57,812</u>	<u>105,897</u>	<u>(1,186)</u>	<u>2,688</u>	<u>(12,319)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 349,687</u>	<u>\$ 62,251</u>	<u>\$ 105,897</u>	<u>\$ -</u>	<u>\$ 2,688</u>	<u>\$ 21,465</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2007

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
ASSETS					
Cash	\$ -	\$ -	\$ 68,575	\$ 6,737	\$ 75,312
Investments	-	-	-	-	29,864
Accounts receivable (net of allowance)	-	-	-	36,988	98,527
Due from other funds	140,041	36,245	-	65,509	692,380
TOTAL ASSETS	<u>\$ 140,041</u>	<u>\$ 36,245</u>	<u>\$ 68,575</u>	<u>\$ 109,234</u>	<u>\$ 896,083</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,123	\$ 19,309
Due to other funds	-	-	-	18,931	57,154
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,054</u>	<u>76,463</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years' expenditures	140,041	36,245	68,575	72,180	819,620
TOTAL FUND EQUITY	<u>140,041</u>	<u>36,245</u>	<u>68,575</u>	<u>72,180</u>	<u>819,620</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 140,041</u>	<u>\$ 36,245</u>	<u>\$ 68,575</u>	<u>\$ 109,234</u>	<u>\$ 896,083</u>

See accompanying independent auditors' report.

SCHEDULE E

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2007

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Vehicle Exhaust Grant	Route One Sewer Project
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ 26,664	\$ -	\$ 67,830	\$ -
Charges for services	98,000	-	-	-	-	-
Investment income	17,530	277	-	328	-	-
Total revenue	<u>115,530</u>	<u>277</u>	<u>26,664</u>	<u>328</u>	<u>67,830</u>	<u>-</u>
EXPENDITURES						
Administration	727	15	-	9,902	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	65,142	-
Total expenditures	<u>727</u>	<u>15</u>	<u>-</u>	<u>9,902</u>	<u>65,142</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>114,803</u>	<u>262</u>	<u>26,664</u>	<u>(9,574)</u>	<u>2,688</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	<u>(500,000)</u>	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(385,197)</u>	<u>(109,738)</u>	<u>26,664</u>	<u>(9,574)</u>	<u>2,688</u>	<u>-</u>
FUND BALANCE, JULY 1	<u>734,884</u>	<u>167,550</u>	<u>79,233</u>	<u>8,388</u>	<u>-</u>	<u>(12,319)</u>
FUND BALANCE, JUNE 30	<u>\$ 349,687</u>	<u>\$ 57,812</u>	<u>\$ 105,897</u>	<u>\$ (1,186)</u>	<u>\$ 2,688</u>	<u>\$ (12,319)</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SHCEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ 130,476	\$ -	\$ 486,313	\$ 711,283
Charges for services	-	-	-	-	98,000
Investment income	-	-	296	-	18,431
Total revenue	-	130,476	296	486,313	827,714
EXPENDITURES					
Administration	-	-	-	-	10,644
Public safety	-	-	-	-	-
Education	1,403	120,588	809	498,165	620,965
Capital outlay	-	-	-	-	65,142
Total expenditures	1,403	120,588	809	498,165	696,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,403)	9,888	(513)	(11,852)	130,963
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	51,595	51,595
Operating Transfers Out	(180,940)	-	-	(21,595)	(812,535)
TOTAL OTHER FINANCING SOURCES (USES)	(180,940)	-	-	30,000	(760,940)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(182,343)	9,888	(513)	18,148	(629,977)
FUND BALANCE, JULY 1	322,384	26,357	69,088	54,032	1,449,597
FUND BALANCE, JUNE 30	\$ 140,041	\$ 36,245	\$ 68,575	\$ 72,180	\$ 819,620

See accompanying independent auditors' report.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust fund.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL FUNDS
JUNE 30, 2007

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,019,074	14,751	2,264	5,517	138,224	(8,225)
Due from other funds	-	-	-	-	24,174	-
Total assets	<u>\$ 1,019,074</u>	<u>\$ 14,751</u>	<u>\$ 2,264</u>	<u>\$ 5,517</u>	<u>\$ 162,398</u>	<u>\$ (8,225)</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	6,682	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,682</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	1,019,074	14,751	2,264	(1,165)	162,398	(8,225)
Total fund equity	<u>1,019,074</u>	<u>14,751</u>	<u>2,264</u>	<u>(1,165)</u>	<u>162,398</u>	<u>(8,225)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,019,074</u>	<u>\$ 14,751</u>	<u>\$ 2,264</u>	<u>\$ 5,517</u>	<u>\$ 162,398</u>	<u>\$ (8,225)</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL FUNDS
JUNE 30, 2007

	Asphalt Surface Maintenance	Solid Waste Vehicle / Equipment	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	70,558	81,269	3,361	367	91,093	86,751
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 70,558</u>	<u>\$ 81,269</u>	<u>\$ 3,361</u>	<u>\$ 367</u>	<u>\$ 91,093</u>	<u>\$ 86,751</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	15,350	3,500	-	-	-
Total liabilities	<u>-</u>	<u>15,350</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	70,558	65,919	(139)	367	91,093	86,751
Total fund equity	<u>70,558</u>	<u>65,919</u>	<u>(139)</u>	<u>367</u>	<u>91,093</u>	<u>86,751</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 70,558</u>	<u>\$ 81,269</u>	<u>\$ 3,361</u>	<u>\$ 367</u>	<u>\$ 91,093</u>	<u>\$ 86,751</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS
JUNE 30, 2007

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	8,635	39,604	2,411	19,616	2,389	39,757
Due from other funds	1,990	-	-	-	-	-
Total assets	<u>\$ 10,625</u>	<u>\$ 39,604</u>	<u>\$ 2,411</u>	<u>\$ 19,616</u>	<u>\$ 2,389</u>	<u>\$ 39,757</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,554	-	-	-	-
Total liabilities	<u>-</u>	<u>1,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	10,625	38,050	2,411	19,616	2,389	39,757
Total fund equity	<u>10,625</u>	<u>38,050</u>	<u>2,411</u>	<u>19,616</u>	<u>2,389</u>	<u>39,757</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,625</u>	<u>\$ 39,604</u>	<u>\$ 2,411</u>	<u>\$ 19,616</u>	<u>\$ 2,389</u>	<u>\$ 39,757</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS
JUNE 30, 2007

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Office Restrooms
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	25,277	38,209	59,102	216,453	2,950	44
Due from other funds	-	-	-	15,350	-	-
Total assets	<u>\$ 25,277</u>	<u>\$ 38,209</u>	<u>\$ 59,102</u>	<u>\$ 231,803</u>	<u>\$ 2,950</u>	<u>\$ 44</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	3,077	-	-	-	-
Total liabilities	<u>-</u>	<u>3,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	25,277	35,132	59,102	231,803	2,950	44
Total fund equity	<u>25,277</u>	<u>35,132</u>	<u>59,102</u>	<u>231,803</u>	<u>2,950</u>	<u>44</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 25,277</u>	<u>\$ 38,209</u>	<u>\$ 59,102</u>	<u>\$ 231,803</u>	<u>\$ 2,950</u>	<u>\$ 44</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS
JUNE 30, 2007

	Records Preservation	Architectural Barrier	Treatment Plant Upgrade	Munis Software	Irving Oil Road	Mercury UW Facility	Totals
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	(36)	127,178	258,616	-	-	-	2,345,209
Due from other funds	-	-	-	45,638	40,173	-	127,325
Total assets	<u>\$ (36)</u>	<u>\$ 127,178</u>	<u>\$ 258,616</u>	<u>\$ 45,638</u>	<u>\$ 40,173</u>	<u>\$ -</u>	<u>\$ 2,472,534</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	12,357	-	-	-	3,206	45,726
Total liabilities	<u>-</u>	<u>12,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,206</u>	<u>45,726</u>
FUND EQUITY							
Fund balance:							
Unreserved:							
Designated for subsequent years'	(36)	114,821	258,616	45,638	40,173	(3,206)	2,426,808
Total fund equity	<u>(36)</u>	<u>114,821</u>	<u>258,616</u>	<u>45,638</u>	<u>40,173</u>	<u>(3,206)</u>	<u>2,426,808</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ (36)</u>	<u>\$ 127,178</u>	<u>\$ 258,616</u>	<u>\$ 45,638</u>	<u>\$ 40,173</u>	<u>\$ -</u>	<u>\$ 2,472,534</u>

See accompanying independent auditors' report.

SCHEDULE G

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2007

	State Aid to Roads	Drainage Projects	Emergency Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES						
Intergovernmental revenue	\$ 247,558	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Investment income	34,741	557	326	253	3,678	166
Total revenue	<u>282,299</u>	<u>557</u>	<u>326</u>	<u>253</u>	<u>3,678</u>	<u>166</u>
EXPENDITURES						
Administration	-	21	-	8	-	-
Public safety	-	-	-	-	-	-
Public works	290,918	-	4,962	-	139	-
Education	-	-	-	-	-	22,604
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>290,918</u>	<u>21</u>	<u>4,962</u>	<u>8</u>	<u>139</u>	<u>22,604</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,619)	536	(4,636)	245	3,539	(22,438)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	140,347	-	-	-	64,900	10,000
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>140,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,900</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	131,728	536	(4,636)	245	68,439	(12,438)
FUND BALANCE, JULY 1	887,346	14,215	6,900	(1,410)	93,959	4,213
FUND BALANCE, JUNE 30	<u>\$ 1,019,074</u>	<u>\$ 14,751</u>	<u>\$ 2,264</u>	<u>\$ (1,165)</u>	<u>\$ 162,398</u>	<u>\$ (8,225)</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2007

	Asphalt Surface Maintenance	Solid Waste Vehicle / Equipment	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Investment income	2,378	4,020	130	679	781	5,271
Total revenue	<u>2,378</u>	<u>4,020</u>	<u>130</u>	<u>679</u>	<u>781</u>	<u>5,271</u>
EXPENDITURES						
Administration	91	-	5	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	40,227	-	20,156	12,018	135,932
Total expenditures	<u>91</u>	<u>40,227</u>	<u>5</u>	<u>20,156</u>	<u>12,018</u>	<u>135,932</u>
EXPENDITURES	2,287	(36,207)	125	(19,477)	(11,237)	(130,661)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	7,500	14,850	-	2,500	82,426	82,000
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,500</u>	<u>14,850</u>	<u>-</u>	<u>2,500</u>	<u>82,426</u>	<u>82,000</u>
SOURCES OVER (UNDER) EXPENDITURES	9,787	(21,357)	125	(16,977)	71,189	(48,661)
FUND BALANCE, JULY 1	60,771	87,276	(264)	17,344	19,904	135,412
FUND BALANCE, JUNE 30	<u>\$ 70,558</u>	<u>\$ 65,919</u>	<u>\$ (139)</u>	<u>\$ 367</u>	<u>\$ 91,093</u>	<u>\$ 86,751</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2007

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Investment income	400	1,852	90	646	147	1,501
Total revenue	<u>400</u>	<u>1,852</u>	<u>90</u>	<u>646</u>	<u>147</u>	<u>1,501</u>
EXPENDITURES						
Administration	-	-	3	24	-	57
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	23,502	9,448	-	-	3,005	-
Total expenditures	<u>23,502</u>	<u>9,448</u>	<u>3</u>	<u>24</u>	<u>3,005</u>	<u>57</u>
EXPENDITURES	(23,102)	(7,596)	87	622	(2,858)	1,444
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	12,816	-	-	2,500	1,500	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,816</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>1,500</u>	<u>-</u>
SOURCES OVER (UNDER) EXPENDITURES	(10,286)	(7,596)	87	3,122	(1,358)	1,444
FUND BALANCE, JULY 1	<u>20,911</u>	<u>45,646</u>	<u>2,324</u>	<u>16,494</u>	<u>3,747</u>	<u>38,313</u>
FUND BALANCE, JUNE 30	<u>\$ 10,625</u>	<u>\$ 38,050</u>	<u>\$ 2,411</u>	<u>\$ 19,616</u>	<u>\$ 2,389</u>	<u>\$ 39,757</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2007

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Office Restrooms
REVENUES						
Intergovernmental revenue	\$ -	\$ 7,560	\$ -	\$ -	\$ -	\$ -
Other income	15,203	-	-	-	-	-
Investment income	99	1,156	2,074	7,886	130	2
Total revenue	<u>15,302</u>	<u>8,716</u>	<u>2,074</u>	<u>7,886</u>	<u>130</u>	<u>2</u>
EXPENDITURES						
Administration	-	-	-	298	5	-
Public safety	-	44	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	7,536	-	48,947	-	-	-
Total expenditures	<u>7,536</u>	<u>44</u>	<u>48,947</u>	<u>298</u>	<u>5</u>	<u>-</u>
EXPENDITURES	7,766	8,672	(46,873)	7,588	125	2
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	15,000	-	53,000	7,450	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>-</u>	<u>53,000</u>	<u>7,450</u>	<u>-</u>	<u>-</u>
SOURCES OVER (UNDER) EXPENDITURES	22,766	8,672	6,127	15,038	125	2
FUND BALANCE, JULY 1	2,511	26,460	52,975	216,765	2,825	42
FUND BALANCE, JUNE 30	<u>\$ 25,277</u>	<u>\$ 35,132</u>	<u>\$ 59,102</u>	<u>\$ 231,803</u>	<u>\$ 2,950</u>	<u>\$ 44</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2007

	Records Preservation	Architectural Barrier	Treatment Plant Upgrade	Munis Software	Irving Oil Road	Mercury UW Facility	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,118
Other income	-	17,561	-	-	-	-	32,764
Investment income	31	4,142	1,691	-	-	-	74,827
Total revenue	<u>31</u>	<u>21,703</u>	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,709</u>
EXPENDITURES							
Administration	6,858	-	-	-	-	-	7,370
Public safety	-	-	-	-	-	-	44
Public works	-	-	-	-	-	-	296,019
Education	-	-	-	-	-	-	22,604
Capital outlay	-	312	243,075	-	-	-	544,158
Total expenditures	<u>6,858</u>	<u>312</u>	<u>243,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870,195</u>
EXPENDITURES	<u>(6,827)</u>	<u>21,391</u>	<u>(241,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(507,486)</u>
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	6,000	-	500,000	-	-	-	1,002,789
Operating Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,002,789</u>
SOURCES OVER (UNDER) EXPENDITURES	<u>(827)</u>	<u>21,391</u>	<u>258,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,303</u>
FUND BALANCE, JULY 1	<u>791</u>	<u>93,430</u>	<u>-</u>	<u>45,638</u>	<u>40,173</u>	<u>(3,206)</u>	<u>1,931,505</u>
FUND BALANCE, JUNE 30	<u>\$ (36)</u>	<u>\$ 114,821</u>	<u>\$ 258,616</u>	<u>\$ 45,638</u>	<u>\$ 40,173</u>	<u>\$ (3,206)</u>	<u>\$ 2,426,808</u>

See accompanying independent auditors' report.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kittery, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the cemeteries, Public Health Trust and Lester Rayes Trust and the school department scholarships.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2007

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Rayes Trust	Recycling Scholarship Fund
ASSETS					
Cash	\$ -	\$ -	\$ 10,919	\$ -	\$ -
Investments	129,272	25,306	689,849	8,957	28,178
Accounts receivable (net of allowance)	-	-	71,014	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 129,272</u>	<u>\$ 25,306</u>	<u>\$ 771,782</u>	<u>\$ 8,957</u>	<u>\$ 28,178</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years'	129,272	25,306	771,782	8,957	28,178
Total fund equity	<u>129,272</u>	<u>25,306</u>	<u>771,782</u>	<u>8,957</u>	<u>28,178</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 129,272</u>	<u>\$ 25,306</u>	<u>\$ 771,782</u>	<u>\$ 8,957</u>	<u>\$ 28,178</u>

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2007

	Trust Funds	Smart Thaxter	Beautification Funds	Totals
ASSETS				
Cash	\$ 101,793	\$ -	\$ -	\$ 112,712
Investments	-	-	53,984	935,546
Accounts receivable (net of allowance)	-	-	-	71,014
Due from other funds	-	-	-	-
Total assets	<u>\$ 101,793</u>	<u>\$ -</u>	<u>\$ 53,984</u>	<u>\$ 1,119,272</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY				
Fund balance:				
Unreserved:	-	-	53,984	1,119,272
Designated for subsequent years'	101,793	-	-	-
Total fund equity	<u>101,793</u>	<u>-</u>	<u>53,984</u>	<u>1,119,272</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 101,793</u>	<u>\$ -</u>	<u>\$ 53,984</u>	<u>\$ 1,119,272</u>

See accompanying independent auditors' report.

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - NONMAJOR
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Rayes Trust	Recycling Scholarship Fund
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment income	4,518	885	126,972	313	967
Total revenue	<u>4,518</u>	<u>885</u>	<u>126,972</u>	<u>313</u>	<u>967</u>
EXPENDITURES					
Administration	2,070	405	43,019	143	-
Public safety	-	-	-	-	77
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>2,070</u>	<u>405</u>	<u>43,019</u>	<u>143</u>	<u>77</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,448	480	83,953	170	890
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	(25,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)	2,448	480	58,953	170	890
EXPENDITURES AND OTHER USES					
FUND BALANCE, JULY 1	<u>126,824</u>	<u>24,826</u>	<u>712,829</u>	<u>8,787</u>	<u>27,288</u>
FUND BALANCE, JUNE 30	<u>\$ 129,272</u>	<u>\$ 25,306</u>	<u>\$ 771,782</u>	<u>\$ 8,957</u>	<u>\$ 28,178</u>

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	School Trust Funds	Smart Thaxter	Samuels Beautification Funds	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Investment income	6,050	-	2,084	141,789
Total revenue	<u>6,050</u>	<u>-</u>	<u>2,084</u>	<u>141,789</u>
EXPENDITURES				
Administration	3,172		92	48,901
Public safety	-	-	-	77
Education	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>3,172</u>	<u>-</u>	<u>92</u>	<u>48,978</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,878	-	1,992	92,811
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,878	-	1,992	67,811
FUND BALANCE, JULY 1	98,915	-	51,992	1,051,461
FUND BALANCE, JUNE 30	<u>\$ 101,793</u>	<u>\$ -</u>	<u>\$ 53,984</u>	<u>\$ 1,119,272</u>

See accompanying independent auditors' report.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

TOWN OF KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2007

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 845,629	\$ -	\$ 930,087
General government	-	2,680,000	195,118	-	2,875,118
Fire	353,200	3,478,843	1,408,659	-	5,240,702
Highway	8,579,000	1,768,061	2,873,659	9,661,465	22,882,185
Recycling	-	98,226	22,588	-	120,814
Recreation	-	151,254	86,159	-	237,413
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	58,535	11,058	-	2,042,893
School Department	45,406	21,531,845	321,120	-	21,898,371
Sewer Department	275,200	14,884,282	272,572	-	15,432,054
School Lunch Program	-	-	98,808	-	98,808
Total General Capital Assets	11,226,106	44,744,215	6,135,370	9,661,465	71,767,156
Less: Accumulated Depreciation	-	(16,204,119)	(3,035,343)	(2,821)	(19,242,283)
Net General Capital Assets	\$ 11,226,106	\$ 28,540,096	\$ 3,100,027	\$ 9,658,644	\$ 52,524,873

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2007

	General Assets 7/1/06	Additions	Deletions	General Capital Assets 6/30/07
Police	\$ 820,269	\$ 109,818	\$ -	\$ 930,087
General government	2,839,152	35,966	-	2,875,118
Fire	5,092,663	148,039	-	5,240,702
Highway	22,529,980	352,205	-	22,882,185
Recycling	114,226	6,588	-	120,814
Recreation	217,283	20,130	-	237,413
Library	8,711	-	-	8,711
Town-wide	2,114,098	-	(71,205)	2,042,893
School Department	21,898,371	-	-	21,898,371
Sewer Department	15,142,374	289,680	-	15,432,054
School Lunch Program	98,256	552	-	98,808
Total General Capital Assets	70,875,383	962,978	(71,205)	71,767,156
Less: Accumulated Depreciation	(17,958,502)	(1,283,781)	-	(19,242,283)
Net General Capital Assets	\$ 52,916,881	\$ (320,803)	\$ (71,205)	\$ 52,524,873

See accompanying independent auditors' report.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

September 21, 2007

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of the Town of Kittery, Maine, for the year ended June 30, 2007 and have issued our report thereon dated September 21, 2007. Our audit was made in accordance with generally accepted auditing standards and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls in place, the EF-M-45 for the year ended June 30, 2007 due on July 15, 2007 and revised copy, quarterly EF-U-415 reports, and the Town's compliance with applicable provisions of the Maine Finance Act as we considered necessary in the circumstances.

The results of our procedures indicate that with respect to the items tested, the Town of Kittery, Maine, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Kittery, Maine, was in noncompliance with, or in violation of, those provisions.

This report is intended solely for the information of the Town Council, management, and Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company
Certified Public Accountants

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TOWN OF KITTERY, MAINE

RECONCILIATION OF EF-M-45 TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Revenues:

Total general fund revenue per EF-M-45	\$ 13,329,503
Add: Medicaid	95,484
Add: Miscellaneous adjustment	1,936
Less: Student activity fund money	(225,940)
	<u>\$ 13,200,983</u>

Revenues per financial statements	<u>\$ 13,200,983</u>
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Difference	<u>\$ -</u>
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Expenditures:

Total general fund expenditures per EF-M-45	\$ 13,848,016
Less: Transfers	(230,000)
	<u>\$ 13,618,016</u>

Expenditures per financial statements	\$ 13,433,208
School lunch transfer	-
Cost not associated with EFM expenditures	-
	<u>\$ 13,433,208</u>

Difference	<u>\$ 184,808</u>
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